

PESO SILVER

MINES LIMITED N.P.L.

**1968 ANNUAL REPORT
YEAR ENDED JULY 31, 1968**



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Peso Silver Mines Limited (N.P.L.)
Geographical Location Map



Message to Shareholders

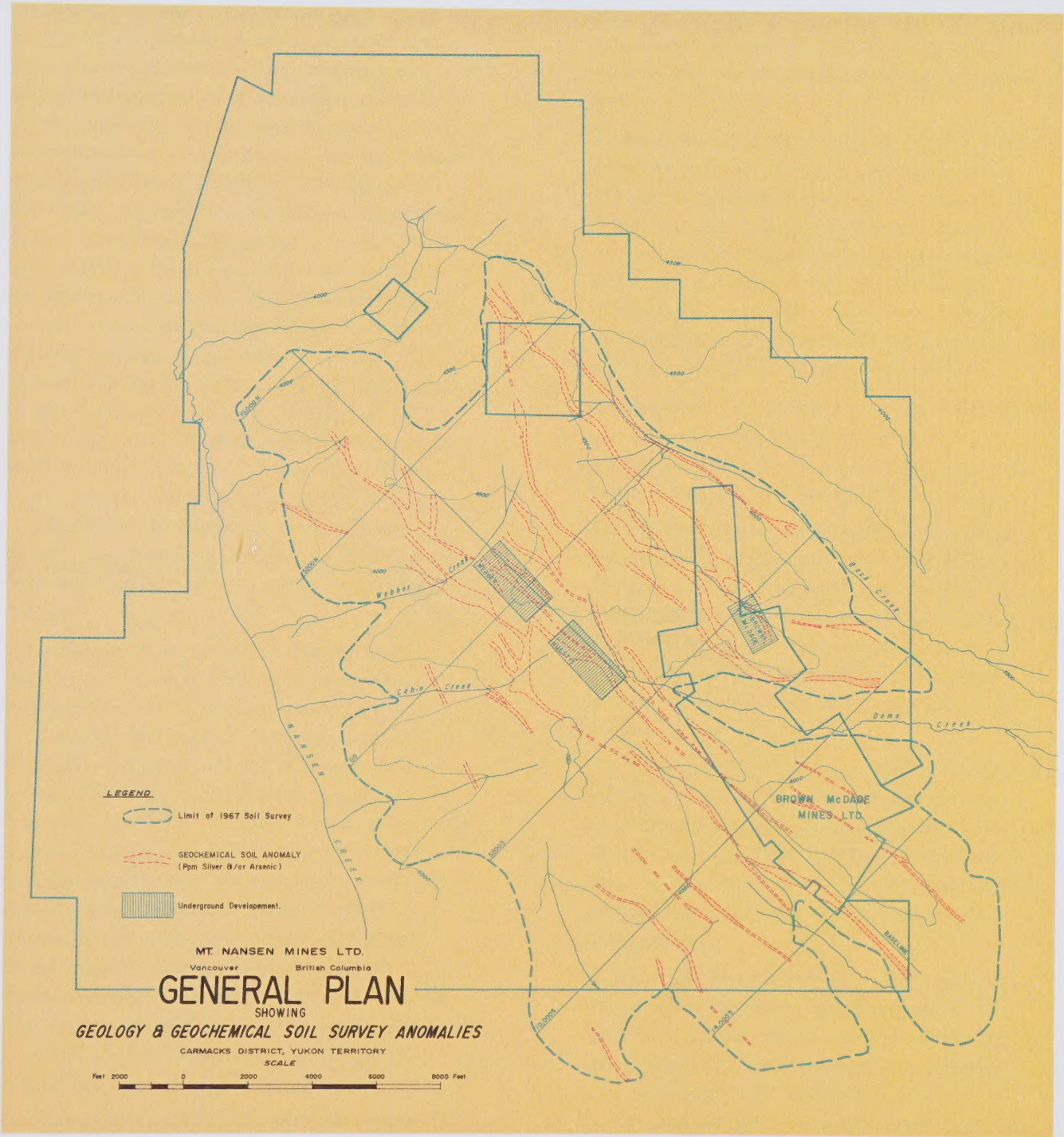
Four of the mining properties in which Peso Silver Mines Limited has interests were active in the past year. Three of these properties are closely grouped in the proven silver—lead area 40 miles north of Mayo in the Yukon Territory. The fourth, Mount Nansen Mines Limited, is located midway between the city of Whitehorse and the Mayo properties. These areas are indicated on the location map page 1.

Currently the most significant development is the coming on-stream of the 400 ton per day mill on the Mount Nansen Mines Limited gold-silver properties. Peso Silver Mines Limited owns 3,955,386 shares of Mount Nansen, about 51.7% of the issued shares, and holds an option to increase and maintain its interest at 62%.

The mill on the property of Mount Nansen Mines Limited, approximately 40 miles west of Carmacks and 150 miles northwest of Whitehorse, Yukon Territory, Northern Canada came into production as scheduled on September 1, 1968. Originally, the mill had a capacity of 200 tons per day but as surface and underground work progressed during the year and the properties' gold and silver potential substantially increased, capacity was added to permit the milling of 400 tons per day. The tune-up of the plant has proceeded on a continuous basis with a production rate of 250 tons per day expected to be reached early next year. The current rate of progress is expected to be sustained into January while the cyanide circuit is being installed at a cost of \$100,000. When completed it will provide a higher rate of recovery of gold and silver from the more oxidized ores from the Webber veins.

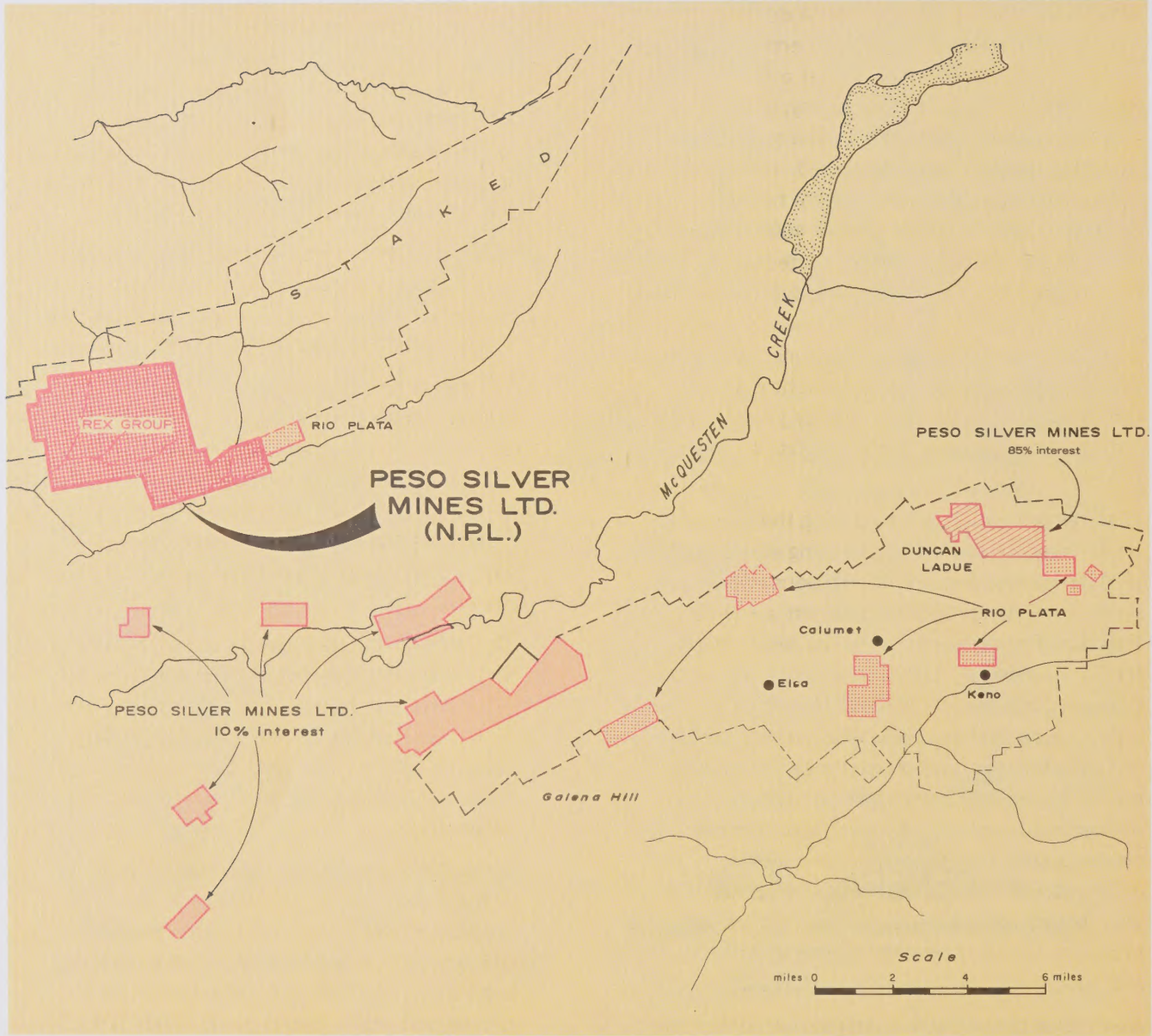
Over \$3,500,000 was spent during the past year on the Mount Nansen property. The mill and

Mount Nansen Mines Carmacks District, Yukon Territory



Peso Silver Mines Property Holdings in the Mayo District, Yukon

4



ancillary buildings were constructed at a cost of \$1,250,000. Purchase of new equipment, completion of the all-weather road, drilling water wells and construction of a pipeline, construction of the administration building, accommodation for personnel and a townsite for married families cost approximately \$1,000,000. A development and exploration program to ensure adequate ore for the mill was carried out at a cost of \$1,300,000. A geochemical survey, which covered approximately 45% of the total claims owned in this area was completed. This area is outlined on page 8. Samples were taken at every 50 feet on lines located 400 feet apart; in all, 15,000 samples were collected. Forty (40) target areas for additional exploration work were established; some of these have since been covered with detailed sampling. Results justified bulldozer stripping, trenching and drill testing. This work has already yielded most encouraging values in gold and silver at several places.

Underground development during the year has been directed towards establishing sufficient working places to ensure continuous ore production. As part of the program, a new level, the 4100 foot elevation level, has been driven for over 3200 feet; 1700 feet of crosscutting and 1500 feet of drifting. This work has been highly successful in confirming ore indicated from the higher elevation workings and adding new ore potential to even greater depths. It opened the longest continuous length of ore on the property to date. This ore shoot is on the Huestis No. 12 vein and is over 300 feet long, across a good mining width, and grades in excess of \$60.00 per ton values in gold and silver.

As a result of the 1968 underground work at the

Huestis, the Webber-Huestis ore reserves have been increased to 330,000 tons at 0.50 ounces gold per ton and 18.4 ounces silver per ton.

Present plans call for sinking an internal shaft from the Huestis working to give access to the deeper ore indicated by drilling. As development proceeds, it is intended to establish an interconnection between the lower elevations of the Huestis and Webber veins. This will permit underground transportation of all ores, eliminate rehandling on the surface and thus result in lower costs and higher production.

Diamond drilling on Cabin Creek has indicated the presence of a vein. The complete reconnaissance of this vein is a prime objective and further work is scheduled for the current year.

For the coming year we foresee great activity. A steady increase in milling rate at the Mount Nansen property, combined with higher metal recoveries due to the cyanidation process, can be expected. Additional geochemical surveys on the Mount Nansen Mines Limited claims (of which 55% have not yet been surveyed) are planned.

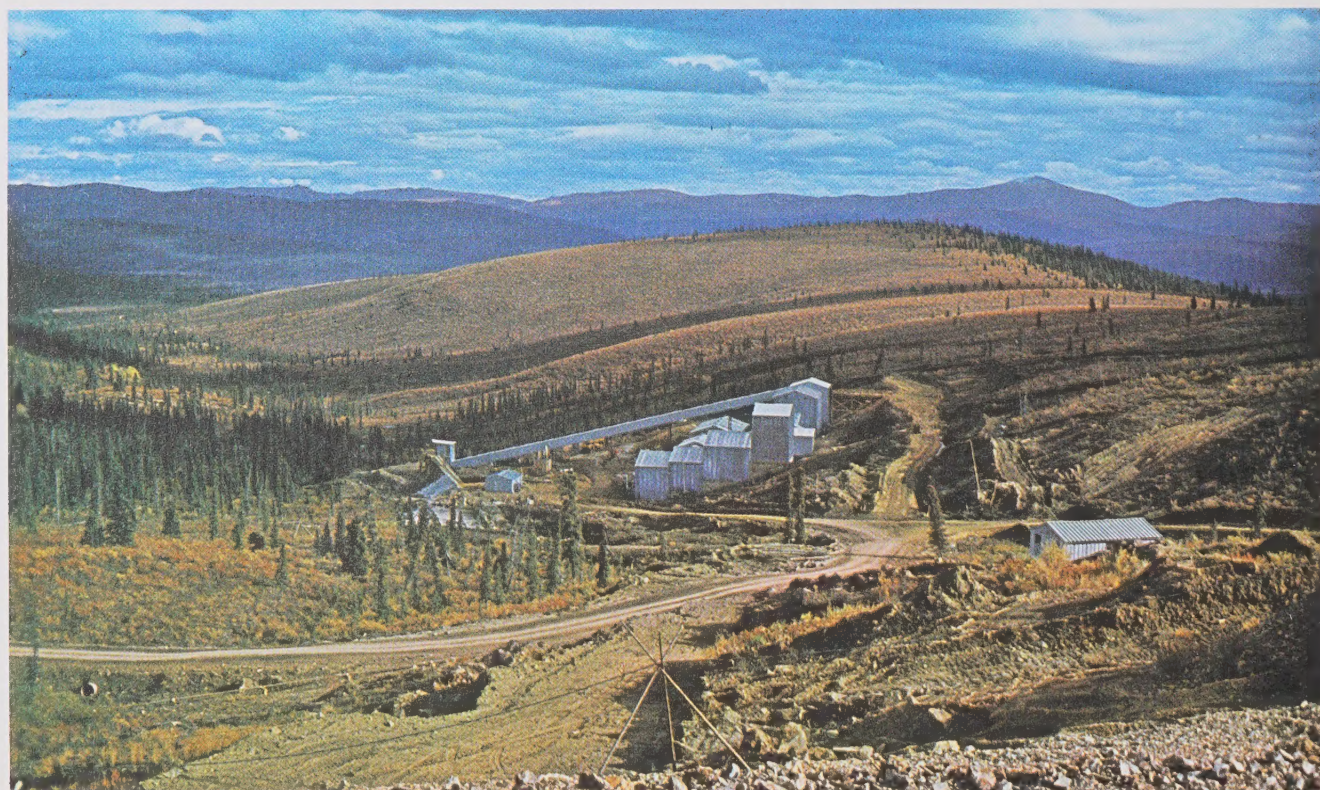
The Brown McDade property will supply ore to the Mount Nansen mill during 1969 and as underground work proceeds and ore supplies increase, Mount Nansen will further adjust its milling capacity to more than 400 tons per day. Studies on how this would best be achieved are in preparation.

In the Mayo area (please see map on page 4) of the Yukon Territory, Peso Silver owns or controls a number of well situated properties on which proven, probable and possible reserves are estimated at 424,630 tons. Ore in the proven and probable categories totals 207,630

Mount Nansen Mines Mill



View over-looking part of Mount Nansen Mines Property



tons, averaging 20.9 ounces silver per ton and 3.7% lead. Existing ore reserves and the area's future potential strengthen our belief that a feasibility study for construction of a mill should be commissioned. Present indications are that a 100 ton per day mill would be justified.

The wholly owned Peso Rex property located 30 miles north of Mayo, Yukon, was reassessed and a new road access in a more favourable location on the south side of the mountain, is being considered.

Work on the Duncan Ladue Mines property located on the north side of Keno Hill, 10 miles from the producing United Keno Hill Mines and about 40 miles north and east of Mayo, was limited to the driving of a short adit level and the sinking of an exploration shaft. This work was directed to test a very high-grade silver vein exposed by surface work and indicated by five diamond drill holes. These holes intersected the vein structure and confirmed the presence of silver and lead in the vein. Further work has to be undertaken as the ore recoveries are not conclusive as to the overall mining potential of this particular vein. Peso Silver Mines Limited owns 637,500 shares (85%) of Duncan Ladue Mines Limited.

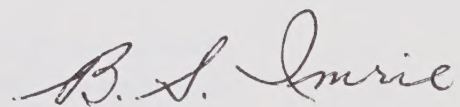
On the properties of Rio Plata Silver Mines Ltd., in which Peso Silver holds 1,000,000 shares (36.9%), work was limited to brief inspections to confirm results of previous work to aid in the planning of the next phase of exploration. The majority of the work on the most important of the Rio Plata claim groups, the Formo, located on a good road a few miles from the United Keno Hill Mines mill, was done in 1952. Subsequently, rehabilitation and re-examination has been undertaken several times. This work has indicated an ore reserve calculation of

44,000 tons of proven probable and possible ore grading 16 ounces silver per ton, 6.9% lead and 10.7% zinc, giving a present gross value in the \$70.00 to \$80.00 per ton range. The Company's Consultant states, "The immediate potential of the deposit would appear to be 100,000 tons, with good indications for much more. A very modest development program would be required to properly assess the Formo deposit".

Varying interests are held by Peso Silver in a number of other properties and exploration companies.

With the existing reserves, the ore potential of all properties, the Mount Nansen mill working with a considerable production increase ahead, and the prospects of a further operation in the Mayo, Peso Silver will gain a noticeable position as a substantial producer of gold and silver for many years to come. Plans are now well under way to add substantial mineral holdings. Peso Silver Mines Limited intends to achieve this either by acquiring profit making mining companies, and/or by staking new claims and developing promising deposits.

Respectfully submitted on behalf of the
Board of Directors



B.S. IMRIE

Director and General Manager

OCTOBER 31, 1968

Peso Silver Mines Limited

(Non-Personal Liability)

(Incorporated under the laws

of British Columbia)

Balance Sheet at July 31, 1968

(with comparative figures at July 31, 1967)

Assets

	1968	1967
<i>Current Assets</i>		
Cash.....	\$ 10,388	533
Amount owing from affiliated company, Charter Oil Company Limited	28,500	—
Accounts receivable.....	1,585	1,668
Prepaid expenses.....	4,100	—
	<u>44,573</u>	<u>2,201</u>
 <i>Investments in and Advances to Affiliated Companies, at cost (Note 1)</i>		
Shares.....	1,796,450	1,698,221
Advances.....	28,410	51,088
	<u>1,824,860</u>	<u>1,749,309</u>
 <i>Mining Properties, at cost represented by the par value of 750,000 shares issued therefor and cash payments of \$182,101 less \$35,101 written off.....</i>	<u>897,000</u>	<u>897,000</u>
 <i>Fixed Assets, at cost</i>		
Land, buildings and equipment.....	199,601	196,839
Less accumulated depreciation.....	149,597	131,592
	<u>50,004</u>	<u>65,247</u>
 <i>Deferred Expenses, at cost</i>		
Exploration and development.....	1,415,067	1,408,063
General overhead.....	510,131	449,722
Exploration and development advances to subsidiary companies (Note 1)	84,824	66,110
Incorporation.....	1,445	1,445
	<u>2,011,467</u>	<u>1,925,340</u>
Approved on behalf of the Board		
Director <i>B. S. Imrie</i>		
Director <i>Walter B. Blasing</i>	<u>\$4,827,904</u>	<u>\$4,639,097</u>

Liabilities

	1968	1967
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities.....	\$ 45,148	\$ 8,519
Amount owing to affiliated company, Canadawide Investments Limited	8,894	—
Advances from H. U. Willi.....	<u>—</u>	<u>186,015</u>
	<u>54,042</u>	<u>194,534</u>
<i>Amounts Owing to Affiliated Companies</i>		
Charter Oil Company Limited	—	1,747
Canadawide Investments Limited	10,707	10,588
Moneta Porcupine Mines, Limited	—	25,489
Brown-McDade Mines Limited (N.P.L.).....	<u>107,086</u>	<u>108,249</u>
	<u>117,793</u>	<u>146,073</u>
Total liabilities.....	<u>171,835</u>	<u>340,607</u>

Shareholders' Equity

Capital Stock (Note 2)

Authorized

5,000,000 shares with a par value of \$1 each

Issued and fully paid

750,000 shares for mining properties.....	750,000	750,000
<u>3,925,000 shares for cash (1967—3,567,421 shares).....</u>	<u>3,925,000</u>	<u>3,567,421</u>
<u>4,675,000</u>	<u>4,675,000</u>	<u>4,317,421</u>
Less discounts and commissions net of premiums on shares.....	<u>37,080</u>	<u>37,080</u>
	<u>4,637,920</u>	<u>4,280,341</u>
<i>Earned Surplus</i>		
Amount at beginning of year.....	18,149	53,250
Deduct cost of mineral claims abandoned.....	<u>—</u>	<u>35,101</u>
	<u>18,149</u>	<u>18,149</u>

	<u>\$4,827,904</u>	<u>\$4,639,097</u>
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Peso Silver Mines Limited

(Non-Personal Liability)

Statement of Exploration and Development Expenses

Year Ended July 31, 1968

(with comparative figures for 1967)

	1968	1967
Amount at beginning of year.....	\$1,408,063	\$1,389,935
Add		
Expenditures.....	19,479	6,236
Depreciation.....	15,725	21,679
	<u>35,204</u>	<u>27,915</u>
	1,443,267	1,417,850
Less equipment rental revenue.....	<u>28,200</u>	<u>9,787</u>
Amount at end of year.....	<u>\$1,415,067</u>	<u>\$1,408,063</u>

Statement of Net General Overhead Expenses

Year Ended July 31, 1968

(with comparative figures for 1967)

	1968	1967
Amount at beginning of year.....	\$ 449,722	\$ 402,551
Add		
Salaries.....	47,570	51,548
Management fee.....	20,894	—
Settlement on termination of employment contracts.....	19,075	—
General and administration.....	44,910	36,062
Legal and audit.....	5,042	17,503
Public relations.....	3,530	5,714
Traveling.....	509	2,172
Interest.....	4,799	16,071
Depreciation.....	<u>2,280</u>	<u>2,301</u>
	148,609	131,371
Less amounts recovered by charges to affiliated companies.....	<u>88,200</u>	<u>84,200</u>
	<u>60,409</u>	<u>47,171</u>
Amount at end of year.....	<u>\$ 510,131</u>	<u>\$ 449,722</u>

Statement of Source and Application of Funds*Year Ended July 31, 1968**(with comparative figures for 1967)*

	1968	1967
Source of funds		
Issue of shares.....	\$357,579	—
Repayment of advances to subsidiary and affiliated companies	22,678	—
Proceeds from sale of shares of subsidiary company.....	—	\$ 21,000
	<u>380,257</u>	<u>21,000</u>
Application of funds		
Operations		
Exploration, development and overhead expenses.....	67,413	65,299
Deduct depreciation which does not involve a current outlay of funds	18,005	23,980
	<u>49,408</u>	<u>41,319</u>
Purchase of shares in subsidiary and affiliated companies (1968—\$98,229; 1967—\$366,750) less advances applied to cost of shares (1967—\$366,750).....	98,229	—
Advances to subsidiary and affiliated companies.....	—	2,035
Purchase of fixed assets	2,762	1,737
Exploration and development advances to subsidiary companies.....	18,714	4,799
Repayment of advances from affiliated companies	28,280	103,803
	<u>197,393</u>	<u>153,693</u>
Increase (decrease) in working capital.....	182,864	(132,693)
Working capital deficiency at beginning of year.....	<u>192,333</u>	<u>59,640</u>
Working capital deficiency at end of year.....	<u>\$ 9,469</u>	<u>\$192,333</u>

Peso Silver Mines Limited

(Non-Personal Liability)

Notes to Financial Statements

Year Ended July 31, 1968

1. Investments in and Advances to Affiliated Companies

Consolidated financial statements have not been prepared as it is considered that the presentation of statements in consolidated form would make it more difficult for the reader to understand the financial position of the company. A condensed balance sheet at July 31, 1968 of the only active subsidiary company, Mount Nansen Mines Limited, is as follows:

Current assets and investments	\$ 287,641
Property, plant and equipment, less * accumulated depreciation	1,812,030
Deferred exploration, development and administration expenses	<u>3,759,134</u>
	5,858,805
Less	
Current liabilities	\$1,737,421
Debentures and notes payable	<u>1,518,600</u>
	3,256,021
Shareholders' equity (6,696,171 shares)	<u>\$2,602,784</u>

The other subsidiaries, which are inactive, are relatively immaterial; none of the subsidiaries have had operating profits or losses to date. At July 31, 1968 investments in and advances to affiliated companies consisted of the following:

	Number of shares	Per- centage owned	Cost of shares	Advances	Exploration and development advances
Subsidiary companies					
Mount Nansen Mines Limited	3,746,852	55.9	\$1,317,454	\$15,449	—
Peso Carmacks Gold Mines Ltd. (N.P.L.)	1,300,000	86.7	30,000	—	\$43,054
Central McQuesten Mines Ltd. (N.P.L.)	637,500	85.0	1*	—	2,014
Central Nansen Mines Ltd. (N.P.L.)	560,000	74.7	5,000	—	3,470
Duncan Ladue Mines Ltd. (N.P.L.)	637,500	85.0	18,812	—	36,286
			<u>1,371,267</u>	<u>15,449</u>	<u>84,824</u>
Other affiliated companies					
Brown-McDade Mines Limited (N.P.L.)	1,959,578	49.3	\$ 325,183	—	—
Rio Plata Silver Mines Ltd. (N.P.L.)	1,000,000	36.9	100,000	\$12,961	—
			425,183	<u>12,961</u>	—
*Nominal value			<u>\$1,796,450</u>	<u>\$28,410</u>	<u>\$84,824</u>

An option has been granted to the company whereby for an indefinite period it can maintain 62 percent ownership in Mount Nansen Mines Limited by purchasing a sufficient number of shares at the lower of the price paid by others or at the market value. In addition, Mount Nansen Mines Limited has undertaken to repay advances from the company by the issuance of shares at 65 cents each in full satisfaction thereof.

Subsequent to July 31, 1968 the company accepted the offer of Charter Oil Company Limited to exchange all of the company's shares of Brown-McDade Mines Limited (N.P.L.) for 195,958 shares of Charter Oil Company Limited.

2. Capital Stock

At July 31, 1968 a total of 25,000 shares have been reserved for options at \$1.80 per share to officers and employees of the company.

By an agreement dated May 23, 1967 with Schweizerische Gesellschaft Fur Metallwerte ("Metall"), the company granted to Metall an option to purchase 300,000 treasury shares of \$1 per share in consideration for Metall agreeing to loan Mount Nansen Mines Limited up to 6,000,000 Swiss francs (approximately \$1,500,000). This option was exercised by payment of \$100,000 on September 3, 1968 and \$200,000 on September 25, 1968.

The directors have resolved to increase the authorized shares of \$1 par value to 10,000,000 shares of \$1 par value subject to approval of the shareholders of the company.

3. Directors' Remuneration

The directors did not receive any remuneration as directors during the year ended July 31, 1968. Salary payments to directors aggregated \$24,947. Payment during the year to a director in settlement of an employment contract amounted to \$19,075.

Thorne,
Gunn,
Helliwell
& Christenson

HELLIWELL, MACLACHLAN & CO.
GUNN, ROBERTS & CO.

CHARTERED ACCOUNTANTS

VANCOUVER PARTNERS
W R C PATRICK D J KELSEY G M MILLER
J M MOYNES B FAHY W G MITCHELL
H B SMITH R E BURRELL G SPARE
R G STEWART J C MCKINNEY K S GUNNING
D G USHER J G HALPIN

CONSULTANTS
J L HELLIWELL H H ADAIR

AUDITORS' REPORT

To the Shareholders of

Peso Silver Mines Limited (Non-Personal Liability)

We have examined the balance sheet of Peso Silver Mines Limited (Non-Personal Liability) at July 31, 1968 and the statements of exploration and development expenses, net general overhead expenses and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company at July 31, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne, Gunn, Helliwell & Christenson

Vancouver, B.C.
October 12, 1968

Chartered Accountants

FIDELITY LIFE BUILDING
1112 WEST PENDER STREET
VANCOUVER 1, B.C.
TELEPHONE (604) 685-3511

OFFICES THROUGHOUT CANADA AND ASSOCIATES THROUGHOUT THE WORLD

Directors	Edward W. Blessing F. L. Croteau S. J. Dumaresq B. S. Imrie C. S. Walker Hans Willi
Officers	Hans Willi, <i>President</i> C. S. Walker, <i>Vice-President</i> A. E. Proznick, <i>Secretary-Treasurer</i>
Administrative Office	420-475 Howe Street, Vancouver 1, B.C. Telephone: 604 681-1385 Telex: 04-50647 Cable: Nigertex
Registered Office	420-475 Howe Street, Vancouver 1, B.C.
Transfer Agents	National Trust Company Limited, Vancouver, B.C.
Auditors	Thorne, Gunn, Helliwell & Christenson, 1112 West Pender Street, Vancouver, B.C. Telephone: 604 685-3511
Solicitors	Barbeau, McKercher, Collingwood & Hanna, 900 West Hastings Street, Vancouver, B.C. Telephone: 604 684-2561
Stock Exchange Listings	Vancouver and Canadian
Consultants	Dr. D. D. Campbell, Dolmage, Campbell & Associates, 808-900 West Hastings Street, Vancouver, B.C. Telephone: 604 681-0241
Bankers	Canadian Imperial Bank of Commerce, 640 West Hastings Street, Vancouver, B.C. Telephone: 604 666-0111
Place of Incorporation	British Columbia, Canada

THE ANNUAL MEETING OF THE SHAREHOLDERS OF
PESO SILVER MINES LIMITED N.P.L. WILL BE
HELD WEDNESDAY, DECEMBER 18, 1968 AT 10:00 A.M.
IN THE KENT ROOM, HOTEL GEORGIA,
VANCOUVER, BRITISH COLUMBIA, CANADA

PESO SILVER MINES LIMITED
(Non-Personal Liability)

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Peso Silver Mines Limited (N.P.L.) will be held in the Kent Room, Hotel Georgia, Vancouver, British Columbia, Canada, on Wednesday, the 18th day of December, 1968 at 10:00 o'clock in the forenoon, Vancouver Time, for the following purposes:

1. To consider and if thought fit to approve the financial statements of the Company to July 31, 1968, together with the reports of the Directors and auditors thereon;
2. To consider and if thought fit, to pass a resolution providing for an increase in the authorized capital of the Company as follows:

“RESOLVED THAT:

- (a) The authorized capital of the Company be increased from \$5,000,000.00 divided into 5,000,000 shares of a nominal or par value of \$1.00 each to \$10,000,000.00 divided into 10,000,000 shares of a nominal or par value of \$1.00 each;
 - (b) Clause 5 of the Memorandum of Association be deleted and the following substituted therefor:
“5. The authorized capital of the Company is \$10,000,000.00 divided into 10,000,000 shares of a nominal or par value of \$1.00 each.”
3. To elect Directors;
 4. To appoint auditors;
 5. To consider and if thought fit, pass a resolution authorizing the Company to acquire shares in other companies by purchase or otherwise;
 6. To consider and if thought fit to sanction a resolution of the Directors providing for the sale of 1,959,578 shares of Brown-McDade Mines Limited (N.P.L.) to Charter Oil Company Limited in consideration of the issue to the Company of 195,958 shares of Charter Oil Company Limited.
 7. To transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed the close of business on November 22, 1968, as the record date for the determination of Shareholders entitled to notice of the Meeting and Shareholders of record as of November 29, 1968 are entitled to vote either in person or by proxy at the Meeting or any adjournment or adjournments thereof. The transfer books will not be closed.

Shareholders who do not expect to be able to attend the Meeting in person are requested to complete, sign and date the enclosed form of proxy and to return it in the envelope provided for that purpose. The proxy must be deposited at the head office of the Company at 420, 475 Howe Street, Vancouver, British Columbia, not less than 48 hours before the time for holding the Meeting.

A Proxy Instrument and Information Circular accompany this Notice.

DATED at Vancouver, British Columbia, this 25th day of November, 1968.

BY ORDER OF THE BOARD OF DIRECTORS

A. E. PROZNICK
Secretary-Treasurer

PESO SILVER MINES LIMITED

(Non-Personal Liability)

INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation by and on behalf of the Management of Peso Silver Mines Limited (N.P.L.) (hereinafter referred to as "the Company") of proxies to be used at the Annual General Meeting of Shareholders of the Company to be held on December 18th, 1968 at the time and place and for the purposes set forth in the enclosed Notice of Meeting.

The enclosed form of proxy is solicited by and on behalf of the Management of the Company. Solicitation will be primarily by mail, however, proxies may also be solicited by regular employees of the Company either personally or by telephone or telegraph. The cost of solicitation by Management will be borne by the Company.

Shares represented by all validly executed proxies received as a result of this solicitation will be voted in accordance with any specifications made by the Shareholders therein, provided that such proxies are received at the head office of the Company at 420, 475 Howe Street, Vancouver, British Columbia, Canada, not less than 48 hours before the time for holding the Meeting.

All proxies delivered pursuant to the solicitation are revocable at the option of the person executing the same at any time before they are exercised.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of October 31st, 1968, the Company had outstanding 4,975,000 shares of the par value of \$1.00 each. Each share is entitled to one vote. Shareholders of record as of the close of business on November 29, 1968 shall be entitled to vote on all matters to be raised at the Annual General Meeting. The transfer books of the Company will not be closed.

At least two Shareholders personally present and entitled to vote, holding or representing by proxy not less than 1/10th of the issued shares of the Company, shall constitute a quorum.

Charter Oil Company Limited owns 883,487 shares of the Company, being approximately 17.8% of the issued shares and Moneta Porcupine Mines, Limited owns 1,462,280 shares, being approximately 29.4% of the issued shares. Charter Oil Company Limited owns approximately 50.12% of the issued shares of Moneta Porcupine Mines, Limited and may be deemed to control Moneta. Canadawide Investments Limited owns approximately 42.29% of the issued shares of Charter Oil Company Limited and may be deemed to control that company.

The Company owns 3,955,386 shares (approximately 51.68% of Mount Nansen Mines Limited; 1,300,000 (approximately 86.7%) of Peso Carmacks Gold Mines Ltd. (N.P.L.); 637,500 shares (85%) of Central McQuesten Mines Ltd. (N.P.L.); 560,000 shares (74.7%) of Central Nansen Mines Ltd. (N.P.L.); 637,500 shares (85%) of Duncan Ladue Mines Ltd. (N.P.L.); and 1,000,000 shares (36.9%) of Rio Plata Silver Mines Ltd. (N.P.L.).

Subject to the consent of the Shareholders the Company has agreed to sell to Charter Oil Company Limited 1,959,578 shares (49.3%) of Brown-McDade Mines Ltd. in consideration of the issue to the Company of 195,958 shares of Charter Oil Company Limited. This purchase and sale has not been concluded pending Shareholder approval and approval of the Stock Exchanges.

ELECTION OF DIRECTORS

Action is to be taken at the Annual General Meeting with respect to the election of six Directors to serve for the term of one year and until their successors are elected or appointed. IT IS INTENDED THAT PROXIES BEING

SOLICITED WILL BE VOTED IN FAVOUR OF THE NOMINEES LISTED IN THE TABLE BELOW AS DIRECTORS. All nominees are presently Directors of the Company and all have advised Management that they are willing to serve in this position for the coming year. If for any reason any nominee should be unable to serve as Director the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

The following table and notes thereto set forth the names of the nominees for election to the Board of Directors; the principal occupation and five year professional background of each nominee; the previous record of each nominee as Director; and the number of shares of the Company and its subsidiaries beneficially owned directly or indirectly by each nominee as of November 15, 1968. The information concerning the respective nominees has been furnished by them.

Nominees for Directors and Principal Occupation	Has Served as Director Since	Securities of Company Beneficially Owned
FRANCIS L. CROTEAU Consulting Geological Engineer, 540 Burrard Street, Vancouver, B.C. 1963 Economic Analyst 1964-1966 Can-Tex Producing Company Limited, oil development company 1967-1968 Consulting Geological Engineer Director: Trans Canada Oils Limited Director, Adera Mines Ltd. Director, Sunlite Oil Ltd. Chairman of Board: Moresby Mines Limited.	December 30, 1966	Nil
SAMUEL J. DUMARESQ Executive, 1462 Minto Cres., Vancouver, B.C. For past five years President of Acme Shingle & Lumber Co. Limited, Lumber and Shingle Manufacturers.	May 29, 1964	2,000
BRAINARD S. IMRIE General Manager, 420, 475 Howe Street, Vancouver, B.C. 1952-1960 Consulting Geologist with Bailey Selburn Oil & Gas Company Ltd., 810, 8th Ave., West Calgary, Alta. 1960-1961 Self-employed as Mining Consultant, 17 Wellington Cres., Edmonton, Alta. 1961-1964 Mining Consultant with Canadian Ingersoll Rand Ltd., Birks Building, Cathcart St., Montreal, Que. 1964-1967 Exploration Manager of Peso Silver Mines Limited (N.P.L.) and Mount Nansen Mines Limited 1967 to date: General Manager of Peso Silver Mines Limited (N.P.L.) and Mount Nansen Mines Limited.	December 18, 1967	1,700
CECIL S. WALKER 5684 Beresford, Burnaby, B.C. For past five years Managing Director of Walker Brothers Limited, Paint Manufacturers.	March 24, 1961	205,263
HANS WILLI President and Director of Charter Oil Company Limited	December 18, 1967	Nil

Financier and Management Consultant, Zurich,
Switzerland
Employed for last five years by Proconsult
Limited, Management Consultants

EDWARD W. BLESSING
Vice-President and Director of Charter Oil Com-
pany Limited
1961-1963 Shearson, Hammill Inc.
1963-1965 Harvard Business School
1965-1968 McKinsey & Company.

October 9, 1968

Nil

- (1) No qualifying share ownership is required by the Company's Articles.
- (2) Messrs. Willi, Croteau and Blessing are Directors of Charter Oil Company Limited.
- (3) Messrs. Willi, Walker, Dumaresq, Imrie and Blessing are Directors of Mount Nansen Mines Limited.
- (4) Mr. Edward Blessing owns 5,000 shares of Mount Nansen Mines Limited; Mr. Dumaresq owns 22,000 shares and Mr. Walker owns 10,000 shares.
- (5) Mr. Hans Willi owns 52% of Canadawide Investments Limited which has effective control of Charter Oil Company Limited. Charter Oil Company Limited and its subsidiary, Moneta Porcupine Mines, Limited, together own approximately 47.2% of the issued shares of the Company.

REMUNERATION OF MANAGEMENT OTHERS

The total remuneration paid during the fiscal year ended July 31, 1968, to all Directors and senior officers of the Company by the Company and its subsidiary Mount Nansen Mines Limited was \$69,855.48. This figure includes an amount of \$19,075.50 paid to Mr. Avery Stone on termination of his employment contract with the Company.

On August 31, 1966 the Directors of Mount Nansen Mines Limited (of which the Company is the owner of approximately 51.68% of the issued shares) resolved to sell 250,000 shares at \$.75 per share. Of these shares 96,000 were sold at that price shortly thereafter. On April 11, 1968 Mount Nansen Mines Limited granted stock options on the remaining 154,000 shares to its Directors, senior officers and key employees and to similar individuals of the Company. Directors and officers of the Company received options on 89,000 shares. Options on 41,000 of these shares were exercised in accordance with their terms. The option price was \$.75 per share and the option was open for acceptance for a period of thirty days. The shares of Mount Nansen Mines Limited do not trade and the option price was set by the Directors of Mount Nansen Mines Limited based on their evaluation of the value of the Company's shares.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of Messrs. Touche, Ross, Bailey & Smart, Vancouver, British Columbia, as auditors of the Company for the fiscal period ended July 31, 1969. Messrs. Touche, Ross, Bailey & Smart are independent Chartered Accountants and have not acted as auditors for the Company in prior years. The Company is advised that the proposed auditors do not hold any direct financial interest or any material indirect financial interest in the Company.

MATERIAL TRANSACTIONS

On May 23, 1967, the Company and Mount Nansen Mines Limited entered into a financing agreement with Schweizerische Gesellschaft Fur Metallwerte (hereinafter referred to as "Metall") to borrow 6,000,000 Swiss Francs (approximately \$1,510,800.00 Canadian) and to secure the repayment to Metall by the issuance of a 6½% First Mortgage Debenture on the assets of Mount Nansen Mines, Limited. In partial consideration of the advance the Company agreed to grant an option to Metall to purchase 300,000 shares of the Company at \$1.00 per share exercisable at any

time up to but not after repayment in full of the loan. On May 23, 1967, the date the option was granted, the closing bid price of the Company's shares on the Vancouver Stock Exchange was \$1.25 per share. The financing agreement was approved by the Shareholders at the last Annual General Meeting. On September 3, 1968 Metall exercised its option on 100,000 shares and on September 25, 1968 on the remaining 200,000 shares. The market price of the Company's shares ranged from \$3.65 on August 5, 1968 to \$4.80 on September 25, 1968.

At the Annual General Meeting the shareholders will be asked to approve the action of the Directors in agreeing to sell to Charter Oil Company Limited 1,959,578 shares of Brown-McDade Mines Limited (N.P.L.) for 195,958 shares of Charter Oil Company Limited. The exchange of shares provides the Company with the facility for raising additional funds for further exploration and development work on its properties. Charter Oil Company Limited offered to exchange one Charter Oil share for each 10 Brown-McDade shares. On the day of the Directors' acceptance Charter Oil closed at \$18¼ on the Toronto Stock Exchange and the asking price for Brown-McDade shares over the counter in Toronto was \$1.15.

GENERAL

It is intended that action will be taken at the Annual General Meeting to increase the authorized capital of the Company from \$5,000,000.00 to \$10,000,000.00 divided into 10,000,000 shares of a nominal or par value of \$1.00 each. Management considers it advisable that the Company have available for corporate purposes a substantial number of unissued shares.

The Companies Act of British Columbia provides that no public company may acquire by purchase or otherwise shares in any other corporation unless expressly authorized by an ordinary resolution of the Company. A general meeting of the Company may, by ordinary resolution, confer a general authority (which authority expires at the next general meeting of the Company) to take or acquire shares of other companies. Management deems it advisable that the Company have this power during the coming year and it is intended that a resolution to this effect will be submitted to the Annual General Meeting.

The management is not aware of any other matters that will be brought before the Meeting other than those set forth in the enclosed Notice of Meeting. If other matters are brought before the Meeting it is the intention of the persons named in the enclosed proxy instrument to vote the shares represented by such proxy in accordance with their best judgment.

DATED at Vancouver, British Columbia this 25th day of November, 1968.

BY ORDER OF THE BOARD OF DIRECTORS

A. E. PROZNICK
Secretary-Treasurer



YUKON

DAWSON CITY

● PESO SILVER MINES LTD.

MAYO

● MOUNT NANSEN
MINES LTD.

WHITEHORSE

WATSON
LAKE

420 - 475 HOWE STREET, VANCOUVER 1, B.C. • 681-1385

file

PESO SILVER MINES LTD. N.P.L.



INTERIM REPORT TO SHAREHOLDERS



JUNE 1968

PROGRESS REPORT

To The Shareholders:

Mine development work and concentrator construction in recent months at the Mount Nansen Mines Limited, silver, gold property, located 40 miles west of Carmacks, Yukon, has been progressing on schedule and with encouraging results.

Your company, Peso Silver Mines Ltd., holds approximately 56% of the shares of Mount Nansen Mines Ltd. and has management control of that company. Peso also holds an option to increase its interest in Mount Nansen Mines to 62% and to maintain that interest.

Mine Development

Preparation of the Huestis No. 12 vein for mining has produced a number of better than anticipated results in that one of the five stope areas now ready for mining has a continuous length of about 300 feet. Until recently development on the Huestis No. 12 vein has been on the 4300 foot level. Now the 4100 foot level, crosscut 200 feet vertically below the 4300 level, has been advanced in excess of 1350 feet from the portal. This level has opened a series of ore shoots in excess of a total length of 700 feet on the No. 12 vein. The ore is comparable to the high-grade ore developed on the 4300 level with a gross value of in excess of \$60.00 per ton in silver and gold over mining widths. The mine is now substantially ready for production. One stope on the Webber vein will be produced in the initial stages until the metallurgy of the ores from the two different vein zones is established. There is presently some 20,000 tons of ore stockpiled ready for the tune-up period of the concentrator.

Concentrator and Townsite Construction

Seventy per cent completion has been attained at the concentrator which has been designed with a capacity of 350 tons per day. Plans had

been to initiate production at a rate of about 200 tons per day and increase the rate of operations as the tune-up period is completed and as the mine development permits continuous higher production. Owing to the recent favourable underground results, the start up rate has been revised upwards but the extent of the increase has not yet been firmly established. Substantially higher daily production will be experienced in the earlier stages than had previously been anticipated.

All of the concentrator buildings have the footings poured and the walls in place. The sheeting of the buildings will be completed as machinery installation is completed. All of the machinery is on the property with the jaw crusher and ball mills in place. Turnover of the concentrator is scheduled for early August.

The townsite, on single man status, is largely completed with the cookhouse and bunkhouse now in operation on a permanent basis.

The 40 mile road to the property is in excellent condition following its first winter after completion of construction.

Exploration Program for 1968

Reconnaissance geochemical - soil sampling was carried out in the 1967 field season over ten square miles in the area of the Mount Nansen Mines property. 15,000 samples were taken at 50 foot intervals on lines 400 feet apart which when analysed and plotted revealed 44 zones of which 32 have been designated as areas where follow-up work will be carried out. Detail soil sampling on closer intervals, along with bulldozer trenching and either diamond core drilling or overburden drilling will be undertaken.

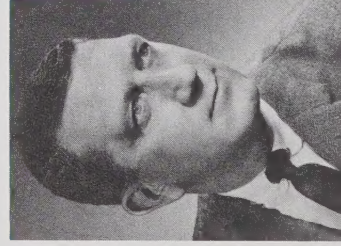
Respectfully submitted on behalf of the board of directors,

Stanley E. Jerome,
President.

Experience and Qualifications:

Dr. Jerome holds a Bachelor of Science Degree in Economic Geology and Metals from the University of Michigan and a Doctorate of Economic Geology from the University of Utah. Among the positions he held before joining the Peso Silver group of companies in April 1967 were the following: Assistant to the Western General Manager of Mining Operations of the Empire Zinc Division of New Jersey Zinc Company. Lecturer in mining, geological engineering and geology at the University of Utah. Chief Geologist, Gulf Minerals Company. District Geologist, Bear Creek Mining Company, a subsidiary of Kennecott Copper Corp. Associate Director of the Nevada Bureau of Mines and Manager of Mineral Exploration for Kerr-McGee Corporation.

He is also the author of a number of technical papers on various phases of geology.



STANLEY E. JEROME, President
Peso Silver Mines Ltd.